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NOTES AND COMMENTS.

PROGRESSIVE INHERITANCE TAXES.

As might have been expected, Comptroller Roberts' modest proposal to make the New York inheritance tax progressive has been attacked in many quarters as dangerous and revolutionary. In reality, it is not revolutionary at all, but a thoroughly sensible proposition, justified both by the theory of justice in taxation as worked out by the best economists, and by the actual experience of several countries. The particular schedule of rates proposed by Mr. Roberts, with its abrupt increase from 5 to 10 and from 10 to 15 per cent., is fairly open to criticism, and has been improved upon in the bill which recently passed the Assembly by unanimous vote. The principle which the Assembly so emphatically indorsed is thoroughly sound.

The theory of progressive taxation has been systematized by Professor Seligman*, who shows that there are several ways of justifying progression, only one of which is at all open to the charge of socialism. The socialists have indeed proposed progressive taxation as a means of securing greater equality of wealth; and in this they have the support of that eminent socialist of the chair, Professor Wagner. But other writers, among whom may be mentioned the late General Walker, have regarded progressive taxation as merely a compensation for those acts and omissions of the State which produce or accentuate inequalities of wealth. This is closely related to the theory that taxation should be progressive because the benefits of government accrue more largely to the rich than to the poor; and it leads naturally to the less general proposition that some taxes at least should be progressive to counterbalance the effect of others which are really in inverse ratio to wealth. Finally, there is the convincing argument upon which economists of the present day chiefly rely, which may be expressed in terms of the Austrian theory of value, or in John Stuart Mill's maxim of "equal sacrifice," or may be put in the simple proposition that ability to pay taxes increases more rapidly than wealth or income. This statement is true both from the standpoint of equal sacrifice, and as a result of the simple rule that the more a man has the more he can get. If we suppose three families with incomes of \$50,000, \$5,000 and \$500 respectively, it is evident that a uniform tax of five per cent. would deprive the first of none but superfluous luxuries, while it might really interfere with the happiness of the second family, and would certainly rob the third of some of the common necessities of life. It is plain that the sacrifice will be very unequal unless the tax is progressive.

* "Progressive Taxation in Theory and Practice," 184; "The Theory of Progressive Taxation," *Political Science Quarterly*, 220.

The arguments for progressive taxation in general apply with full force—some of them indeed with added force—in the case of inheritance taxes. Whether progressive taxation is regarded as a compensation for inequalities caused by previous legislation, or simply as the kind of taxation most conformable to the abilities of the tax-payers, it is fully applicable to inheritance taxes; and even if it is regarded as a means of affecting the distribution of wealth, it may be applied to them without any concession to socialism. For a progressive inheritance tax leaves the right of individual possession absolutely untouched; it places no limitation upon wealth, but only upon the inheritance of wealth; in its most severe form it is no step toward equality of fortune, but only toward the individualistic ideal, equality of opportunity. Mr. Andrew Carnegie is no socialist, yet he has more than once declared himself in favor of progressive inheritance taxes far heavier than any which actually exist.* He would have them as heavy as fifty per cent. in the case of large estates, for the purpose of limiting inheritance; though he would be the last to sanction any limitation of wealth.

The inheritance tax in one form or another has come to stay, and new states are being added every year to the list of those which have adopted it. Five years ago it was found in only nine states of the Union: Pennsylvania, Maryland, Delaware, New York, West Virginia, Connecticut, Massachusetts, Tennessee and New Jersey. During the first half of 1893 Ohio, Maine, California and Michigan were added to the list; though the Michigan law was afterward annulled because of an unusual provision in the state constitution which was not complied with. In 1894 Louisiana revived her former tax on foreign heirs, Minnesota adopted a constitutional amendment permitting a progressive inheritance tax which has not yet been given effect by the legislature, and Ohio added to her collateral inheritance tax a progressive tax on direct successions. In 1895 progressive inheritance taxes were adopted in Illinois and Missouri, and an old proportional tax was revived in Virginia; and last year Iowa adopted in part the inheritance tax recommendation of her revenue commission. It will be strange if the legislative sessions of the present year close without one or more new converts to the same principle. All the important countries of Europe employ this method of taxation; and in the most democratic countries of the world outside the United States—Great Britain and her colonies and Switzerland—progressive rates help to make it an important source of revenue. The new English "death duties" claim as much as eighteen per cent. of large estates which pass to distant relatives or by will to strangers in blood. Yet this measure of progressive taxation Lord Playfair commends in the interest of true conservatism.† In this country the inheritance taxes are much lighter, never exceeding five or six per cent.; and even the New York bill, in which the tax on direct successions rises to ten per cent., a little higher than the corresponding English rate, applies only to personal property, so that the tax proposed is really lighter than in England.

In Ohio the progressive tax on direct successions was declared unconstitutional by the State Supreme Court for two reasons: because the \$20,000 exemption was not to be deducted from the amount of taxable estates, and because of the progressive feature. In the first objection the court pointed out a real defect, for there is no equity in taxing an estate of \$20,100 two hundred dollars more than one of \$20,000; but the same criticism would

* NORTH AMERICAN REVIEW, 148:659.

† NORTH AMERICAN REVIEW, 160:285.

apply to many of the state property taxes. As for the second point, the court could find no clause requiring all taxation to be proportional, but by far-fetched construction which to the lay mind appears almost incredible, declared the progressive principle to be in conflict with this section in the bill of rights: "All political power is inherent in the people. Government is instituted for their equal protection and benefit."

In Illinois, where the progressive rates apply not to direct heirs, as in Ohio, but only to collateral and testamentary successions, their constitutionality has been questioned on the strength of the Ohio decision, but the case has not yet been decided by the court of last resort. The decision will be awaited with interest both by the friends and the enemies of progressive taxation, for it may have an important bearing upon the future extension of the principle. It is inconceivable that the Ohio decision alone should be regarded as conclusive by the courts of other States; but if it should be confirmed by a similar decision in Illinois, based perhaps on somewhat sounder reasoning, it would be difficult for progressive taxation to make any headway against two such adverse decisions. The case now pending in Illinois is therefore of importance to the whole country. Fortunately the other objection to the Ohio law has been obviated in Illinois by permitting a certain sum to be deducted from all taxable estates. And the Illinois court can hardly fail to see that the legislature which has power to abolish the right of inheritance altogether must have power to limit the right a little through the agency of taxation; and that progressive taxation is not only economically permissible, but is demanded by equity and the genius of democratic institutions.

MAX WEST.

FOURTH OF JULY CELEBRATIONS AND THE INTERESTS OF BALLOT REFORM.

ALL good citizens must know that times of peace afford opportunity for the display of patriotism quite as valuable to the country, if not so spectacular, as times of war. If "war is hell," then, indeed, that widespread devotion to the welfare of country which preserves domestic tranquillity and honorable peace with foreign nations is far more valuable than that same devotion made effective in bringing destructive war to favorable issue from a national standpoint. To all thoughtful people it must be apparent that the manifestation of patriotism is declining among us. There is a universal self-seeking so urgent that small room is left for thoughts of responsibility to country or posterity. Time was when men sacrificed self for country. Now they sacrifice country for self. Our people are still ready to sacrifice self on the altar of patriotism should a sufficiently urgent occasion be manifested. Such an occasion always exists in the necessity for maintaining our political purity. This can only be accomplished by selecting good and capable men for office from the primary election to the choice for President, and by rendering fraud and corruption impossible. This will be difficult to accomplish, however, so long as there exists among us a large class of venial, indifferent voters, who have never had the real meaning and dignity of voting clearly and forcibly impressed upon them.

Everybody understands that the supreme requirement of republics is a citizenship whose great majority shall be possessed of high moral character and intelligent ideals and these always in evidence at the polls. That a